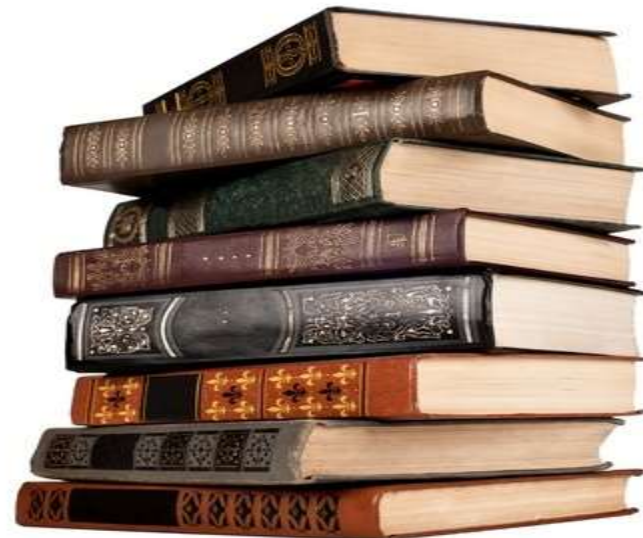


# Reverse Mortgage HECM Purchase Program



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# What Is A HECM?

HECM is an acronym for home equity conversion mortgage.

It is associated with the federal reverse mortgage program offered thru HUD, a government agency.

But also know, not all reverse mortgages are a HECM, or are federally insured and have different rules than the HECM



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# This Option Has Been Available Since 2009

- Most people don't know that you can buy a home with a reverse mortgage exists.
- Why? Not enough publicity. AARP and the NCOA have been writing about the reverse mortgage, but just not about this feature.
- The Realtor community hasn't been educated on this option of yet.



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# Advantages On The HECM Purchase Loan Option

- Borrowers can keep their existing home. An additional step, a financial assessment, is done to ensure the ability to repay.
- Non recourse loan protects your heirs.
- No monthly payment on your new home.
- One loan takes care of everything.



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# Borrower Requirements

- Youngest borrower must be at least 62.
- New residence must be owner occupied.
- Must still be able to pay property taxes and insurance in a timely manner.
- Must maintain the home.
- If keeping existing property, have to show ability to pay the mortgage, taxes and ins.



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# Credit Requirements

- No foreclosures in the past 3 years.
- No files notice of default in last 3 years.
- No deed in lieu of foreclosure last 3 years.
- No mortgage delinquency >120 days, in the last 3 years.
- No short sale in the last 3 years.
- Bankruptcy must be discharged for 2 yrs.



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# Income Requirements

In the third quarter of 2015 a new rule went into effect to ensure seniors have the ability to pay yearly property taxes and homeowners insurance premiums.

Other credit related payments for example, credit cards and auto loans, are also taken into account when qualifying for a HECM, but with less weight than a Conventional or FHA loan.



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# How The Down Payment Works

Borrowers make an initial large down payment. The amount of the down payment depends on the borrowers age, purchase price of the home and sometimes the financial ability to repay. Typically the down payment is at least 50%.



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# If Keeping Your Existing Residence And Buying Another Home

- A financial assessment will be done to ensure that no more than 43% of your gross monthly income is being spent.

- No gift funds.



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# Source Of Down Payment

- Sale of existing property.
- Liquidation of 401k, investment accounts and other liquid accounts.
- **Sources of down payment not allowed:**
- 2<sup>nd</sup> mortgages or HELOC on any property.
- No collateralized loans.
- Minimum of 3 months documentation required to verify funds.



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# New Property Requirements

- No property flipping, 90 day rule.
- If subject property is being resold within 3 - 12 months & the new sales price is  $> 5\%$  of the prior sales price, a 2<sup>nd</sup> appraisal is required and the lower of the two appraisals will be used as the value.



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# Properties In As-Is Condition

All repairs must be done prior to close of escrow by the seller. No hold backs.



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# HECM Borrower Counseling

- HECM counseling certificate. Must be paid for by the borrower, lender can't pay. Consists of a phone interview to ensure the borrower completely understands the process. Takes about an hour.
- The counselor has no affiliation with any lender and is approved by the U.S. government.



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# Loan Documentation Required

- Counseling certificate.
- Application.
- Purchase contract.
- Title report.
- Appraisal.
- Down payment and earnest deposit documentation.
- Additional income documentation may apply.



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# How Do You Know You're Qualified For The HECM?

Crunch some figures with the lender.

Borrower ages, down payment and prevailing interest rates will play a large role in determining the loan amount.

Call me for a free purchase loan analysis.



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# Important Things To Note

- There are no sales concessions allowed by the Realtor or seller. Nothing is allowed to be listed on the contract.
- Being that this is a purchase transaction, there is no 3 day rescission period as there is on a refinance.
- Not all reverse mortgages are government backed, but the HECM is.



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# Example On Using The HECM

## Borrower Profile:

Youngest borrower is 70 years old.

\$500,000 existing home value.

\$0 existing mortgage.

Wants to buy a \$350,000 home.

Does not want any mortgage  
payment on the new home.



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# Paying All Cash For A Home Vs. Using A HECM

- Sales price existing home: \$500,000
- Selling costs: \$40,000
- Net after sale: \$460,000
- New home price: \$350,000
- Paying new home sale price  
in full would leave: \$110,000  
in pocket.



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# Using A HECEM To Buy A Home

- Net after sale of existing home: \$460,000
- New home price: \$350,000
- Borrower down payment (50%) \$175,000
- Remaining funds to keep in your pocket. \$275,000  
\$165k MORE!
- HECEM no payment required 1<sup>st</sup> mortgage. \$175,000



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# New And Improved HECM Protections

- Spouses younger than 62 years old can now stay in the home after the older spouse passes away, on loans created after September 2014. Rules do apply.
- New easier to understand loans.
- HECM now makes sure the senior has the ability to make the property tax and homeowners insurance payments.



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# Continued HECM Protections For The Borrower

- A HECM has mortgage insurance that protects the borrower and their heirs, it's built into the loan. The property could be upside down in value and the insurance will cover the difference when it comes time to sell the property.
- The HECM is a non-recourse loan.



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# Thank You!

If you have any questions please feel free to call me at **800-506-0632 ext. 0** or email me at [kwaltonucf@verizon.net](mailto:kwaltonucf@verizon.net). Please feel free to visit my website at [www.californiareversemortgage.biz](http://www.californiareversemortgage.biz).

I'm here to educate and answer any questions, and again thanks!

Best, Kevin Walton



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